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PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:

**JOINT APPLICATION OF KENERGY CORP. AND)
BIG RIVERS ELECTRIC CORPORATION FOR)
APPROVAL OF CONTRACTS AND)
FOR A DECLARATORY ORDER)**

Case No. 2013-00413

**Response to the Attorney General's
Initial Data Requests to Joint Applicants
dated December 5, 2013**

FILED: December 13, 2013

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP.
AND BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00413

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COMMISSION

VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Robert W. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this
the 9th day of December, 2013.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP.
AND BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND
FOR A DECLARATORY ORDER
CASE NO. 2013-00413

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 9th day of December, 2013.

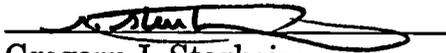


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP.
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FOR APPROVAL OF CONTRACTS AND
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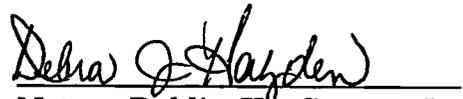
VERIFICATION

I, Gregory J. Starheim, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Gregory J. Starheim

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Gregory J. Starheim on
this the 6th day of December, 2013.


Notary Public, Ky. State at Large
My Commission Expires 5-24-15

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

Response to the Office of the Attorney General's
Initial Requests for Information
dated December 5, 2013

December 13, 2013

1 **Item 1)** *Reference the Application and the proposed agreement(s) filed for approval.*
2 *Please provide any and all analyses performed for Big Rivers and Kenergy regarding all costs*
3 *and benefits of the proposed agreement(s) relating to the Century Sebree Smelter.*

4
5 **Response)** Big Rivers and Kenergy entered into these contracts in an effort to encourage the
6 continued operation of Century's Sebree plant. In the negotiation of these contracts, the
7 underlying foundation of Big Rivers' and Kenergy's negotiation with Century was to ensure that
8 no additional costs were experienced by their members as a result of this transaction. Both Big
9 Rivers and Kenergy believe they have accomplished the goal. Big Rivers' members will benefit
10 from this transaction by the transmission revenue received from Century. Kenergy will also
11 benefit under the proposed Electric Service Agreement by receiving a margin equal to or greater
12 than the margin provided by the 2009 Retail Agreement. Furthermore Big Rivers and Kenergy
13 both believe Big Rivers' Members and the economy of western Kentucky will benefit if the
14 Sebree smelter remains in operation.

15 Aside from considerations of this nature, there were no additional analyses performed.

16

17 **Witness)** Robert W. Berry and Gregory J. Starheim



Your Touchstone Energy® Cooperative 

Century Sebree Transaction Summary November 15, 2013



Your Touchstone Energy[®] Experience 

Goal / Objective

- **Negotiate a structure to allow Century Sebree to obtain its power supply at wholesale market prices similar to the Century Hawesville transaction.**
 - Once Century gains access to market priced power, Big Rivers is no longer obligated to serve them from our generation resources.
 - The agreement can not increase Members rates more than if the smelter ceased operation.
 - The transaction is essentially the same as the Hawesville transaction.



Your Triadstone Energy[®] Cooperative 

Century Sebree Transaction

- **9 Agreements make up the Century Sebree Transaction**
 1. **Electric Service Agreement** - A retail electric service agreement for the sale of electricity, electric capacity and electricity-related ancillary services, including transmission services, by Kenergy to Century Sebree.
 2. **Arrangement Agreement** - The power arrangement and procurement agreement entered into between Big Rivers and Kenergy pursuant to which Big Rivers arranges and procures electricity, electric capacity and electricity-related ancillary services for Kenergy for resale to Century Sebree under the Electric Service Agreement.



Century Transaction

3. **Direct Agreement** - An agreement between Big Rivers and Century Sebree relating to direct, bilateral obligations to each other in connection with the Transaction.
4. **Tax Indemnity Agreement** – Agreement between Kenergy, Century Sebree and Century Parent to indemnify Kenergy if this transaction were to jeopardize Kenergy’s tax exempt status.
5. **Guarantee of Century Parent** – Agreement between Big Rivers, Kenergy and Century Parent.



Century Transaction

6. **Lock Box Agreement** – Agreement between Kenergy, Big Rivers and Century Sebree to provide payment security to Big Rivers and Kenergy for amounts owed by Century Sebree.

7. **Protective Relay Agreement** – If needed, an agreement entered into between Big Rivers, Kenergy, Century Sebree and Century Parent relating to obligations for the design, development, purchase, installation, operation, maintenance, ownership and risk of the Protective Relays at Sebree.



Century Transaction

8. **Protective Relays Guarantee (PRG)** – An agreement entered into among Big Rivers, Kenergy, Century Sebree and Century Parent relating to obligations for the design, development, purchase, installation, operation, maintenance, ownership and risk of the Protective Relay additions, if needed at the Century Sebree Plant. (If the Protective Relay Agreement is not necessary the PRG will not be necessary).

9. ***Load Curtailment Agreement***, by and among Big Rivers, Kenergy and Century Sebree relating to the ability to curtail Century Sebree's load in circumstances where MISO or other reliability coordinators direct Big Rivers or other persons to do so.



Your Touchstone Energy® Cooperative 

Overview

- The term (Service Period) of the transaction is January 31, 2014 through December 31, 2023.
- Initially Big Rivers will be the Market Participant for Kenergy to arrange and schedule the required energy, capacity and associated services for Kenergy to sell to Century Sebree.
- Kenergy may elect, subject to the consent and approval of Century to become the Market Participant.
- Century may designate an alternative Market Participant with a 120 day notice to Kenergy and to Big Rivers if the Arrangement Agreement is in effect.



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Overview Continued

- Century plans to purchase the maximum amount of energy (Base Load) that can be imported into the Sebree smelter without the Wilson Plant operating. (Potentially 378 MWs)
- MISO has determined that initially Wilson Station will not be declared a System Support Resource (SSR). However if any RTO or ISO orders Big Rivers to restart the Wilson facility, Century will pay Big Rivers for all reliability costs including the restart costs of Wilson Station.
- Per the Load Curtailment Agreement, Century Sebree has agreed to curtail load in circumstances where MISO or other reliability coordinators direct Big Rivers or other persons to do so.



Your Tristone Energy[®] Cooperative 

Credit Support

- Century shall provide and maintain credit support, cash or letter of credit from a bank rated A+ or better for the following:
 - The amounts reasonably estimated by Kenergy and Big Rivers to be due with respect to Century's obligation under the Electric Service Agreement for a period not longer than the payment terms
 - The amounts reasonably estimated by Big Rivers to be due with respect to Century's additional obligations to Big Rivers for a period of two months for amounts under the Direct Agreements.
 - The amounts estimated by Kenergy to be due with respect to Century's obligation under the Tax Indemnity Agreement.
 - All other amounts reasonably projected by Kenergy or Big Rivers to become payable to either of them by Century.



Your Touchstone Energy® Cooperative 

Credit Support & Billing

- Century will provide and maintain credit support in the form and in the amount required by MISO with respect to electricity, capacity and ancillary services for resale to Century Sebree.
- Big Rivers will invoice Kenergy and Kenergy will invoice Century Sebree based on how Big Rivers is invoiced by MISO (weekly) for energy and related services.
- Big Rivers will invoice Kenergy and Kenergy will invoice Century Sebree based on how Big Rivers is invoiced by MISO (monthly) for all other ancillary services including transmission.
- Big Rivers will invoice Century Sebree monthly for all services associated with the Direct Agreement.



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Electric Service Agreement

- Agreement between Century Sebree and Kenergy where Century Sebree is obligated to pay costs related to Century Sebree's operation:
 - Electricity, capacity and ancillary services including transmission services
 - Kenergy's internal and direct cost including a nominal net margin (equivalent to current net margin)
 - Cost associated with any entity other than Big Rivers serving as the Market Participant.
 - Cost incurred by Kenergy to comply with state or federal renewable energy portfolio or similar standards.
 - Charges to Kenergy for MISO Transmission Expansion Plan (MTEP) or Multi-Value projects (MVP).



Your Touchstone Energy® Cooperative 

Electric Service Agreement

- Agreement between Century Sebree and Kenergy where Century Sebree is obligated to pay costs related to Century Sebree's operation:
(Continued)
 - Any cost to Kenergy arising out of any bilateral contract which Century has approved.
 - Cost related to Century Sebree's operation incurred by Kenergy to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 - Monthly charges with respect to items charged to Kenergy under the Arrangement Agreement.
 - Excess reactive demand charge
 - All other cost of Kenergy incurred or committed to by Kenergy related to Century Sebree's operation.



Your Touchstone Energy® Cooperative 

Arrangement Agreement

- Agreement between Kenergy and Big Rivers where Kenergy is obligated to pay Big Rivers for cost related to Century Sebree's operation:
 - Electricity, capacity and ancillary services to serve Kenergy for the benefit of Century.
 - Cost incurred by Big Rivers to comply with state or federal renewable energy portfolio or similar standards.
 - MISO charges to establish and maintain the Sebree Node.
 - Charges to Big Rivers for MISO Transmission Expansion Plan (MTEP) or Multi-Value projects (MVP).



Your Touchstone Energy® Cooperative 

Arrangement Agreement

- Agreement between Kenergy and Big Rivers where Kenergy is obligated to pay Big Rivers for cost related to Century Sebree's operation:
(Continued)
 - Cost related to Century Sebree's operation incurred by Big Rivers to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 - Cost or charges from ACES, or similar service for scheduling, awards and settlements.
 - Cost of a .25 Full Time Equivalent (FTE) employee for Big Rivers if it is serving as the Market Participant.
 - Any other amounts due and owing to Big Rivers under the Definitive Documents including applicable taxes.



Your Touchstone Energy[®] Cooperative 

Direct Agreement

- Agreement between Big Rivers and Century Sebree where Century is obligated to pay Big Rivers for direct, bilateral obligations related to Century Sebree's operation:
 - All SSR (must run) cost, including the restart cost of the Wilson generating station if a RTO or ISO orders Big Rivers to restart the generating unit, less any transmission revenue received by Big Rivers.
 - All electrical transmission capital cost related to Century Sebree's operation allocated by MISO to the Sebree Node.
 - Other third-party out of pocket cost of Big Rivers incurred or committed to by Big Rivers related to Century Sebree's operation.



Your Touchstone Energy® Cooperative 

Direct Agreement

- Century will hold big Rivers harmless from all direct cost, expenses, liabilities, claims or similar consequences relating to the following to the extent not recovered under the Electrical Service Agreement:
 - Purchasing and transmitting electricity, capacity and ancillary services for resale to Century Sebree under the transaction.
 - Claims of bilateral power suppliers under contracts to which Century has agreed for electricity, capacity and ancillary services.
 - Any other amounts due and owing to Big Rivers under the Definitive Documents.



Substantive Differences Compared to the Hawesville Transaction

- At least initially, Wilson will not be declared an SSR (must run) facility.
- Century Sebree has agreed to curtail load at the Sebree smelter if Big Rivers is ordered to curtail load by a RTO or ISO rather than installing a Special Protection System (SPS).
- Capacitor additions will not be required.
- Protective Relays may not be necessary.



Century Sebree Transaction

Questions



Century Sebree Transaction

- Request the Board to approve based on management confirming these principal provisions remain substantively unchanged in the definitive agreements.
- If Approved the plan is to file the documents with the KPSC on or before November 26.

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00413

Response to the Office of the Attorney General's
Initial Requests for Information
dated December 5, 2013

December 13, 2013

1 **Item 3)** *Reference the Application at page 4, paragraph 6. Please explain what is meant*
2 *by Big Rivers' "unmitigated revenue loss resulting from the termination by Century Sebree"*
3 *in light of Big River's rate application in Case No. 2013-00199.*

4 *a. Has Big Rivers not proposed to recover all of these revenues in its rate*
5 *filing, Case No. 2013-00199?*

6 *b. If no to a., please detail what other revenue loss may result and provide*
7 *all studies, analysis performed, inclusive of workpapers, detailing this*
8 *additional sum.*

9 *c. If no to a., please advise if and when Big Rivers intends to seek recovery of*
10 *this additional revenue loss from its member cooperatives.*

11
12 **Response)** **"Unmitigated revenue loss"** means the extra costs to Big Rivers resulting from
13 the smelter contract termination that have not otherwise been mitigated by actions taken by Big
14 Rivers.

15 a. Big Rivers has proposed to recover in Case No. 2013-00199 all of the
16 unmitigated extra costs to Big Rivers resulting from the Sebree smelter
17 contract termination.

18 b. Not applicable.

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1 c. Not applicable.

2

3 Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
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1 **Item 4)** *Reference TE Starheim at page 19, lines 20 to 24 and page 20, lines 1-2. Please*
2 *explain what is meant by “above and beyond the increase necessary to replace the load” and*
3 *provide any and all minutes of the meetings of the Kenergy Board of Directors and/or any*
4 *communications on behalf of the Kenergy Board of Directors relating to proposed Century*
5 *Sebree transaction.*

6

7 **Response)** In my testimony, the context of “any solution to Century’s problem must not
8 have negative effect on Kenergy’s other members above and beyond the increase necessary to
9 replace the load” was intended to convey the Board’s position that any solution or agreement that
10 would be developed in response to Century’s request for market power would not subject
11 Kenergy to any cost that would be unreimbursed by Century or subject Kenergy to any undue
12 business risk beyond what it would have faced if Century ceased smelting operations. The
13 agreement that was negotiated is consistent with that position.

14 Please see the response to KIUC 1-14 for the following meeting minutes
15 (including Board resolutions) and communications with the Kenergy Board relating to the
16 proposed transaction:

17 Kenergy Board Meeting Minutes: October 8, 2013

18

BIG RIVERS ELECTRIC CORPORATION
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December 13, 2013

1 **Witness)** Gregory J. Starheim

BIG RIVERS ELECTRIC CORPORATION
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1 MISO capacity charge, as shown in Case No. 2013-00199 in the Direct Testimony
2 of John Wolfram, Exhibit 2, Reference Schedule 1.14 (in the amount of \$102,110)
3 will no longer be incurred by Big Rivers.

4 b. The recovery of the 1.25 FTE discussed above will be contingent on whether Big
5 Rivers continues to be the Market Participant ("MP") for Century Sebre.

6 Century has indicated that it will likely seek a new MP. If a new MP is selected
7 and approved, Big Rivers will only recover the cost of a 0.5 FTE. Under the
8 terms of the Direct Agreement, the costs are invoiced and paid monthly..

9 c. The principal substantive differences between the two referenced transactions are
10 explained in Mr. Berry's answer beginning on page 37 and ending on page 39 of
11 his testimony attached as Exhibit 4 of the Application. While reference is made
12 to the marked copies of the filed agreements for a complete identification of all
13 differences between the two sets of transaction documents, the following narrative
14 further summarizes differences between the two sets of agreements.

- 15 • The maximum Base Load under the Electric Service Agreement and
16 Arrangement Agreement is 378 MW, as compared to 482 MW under those
17 agreements relating to the Century Hawesville Transaction. This difference is
18 due to Century's current load at each respective facility.

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- 1 • The applicable commercial pricing node under the Century Sebree
2 Transaction documents relates to the Sebree Smelter, as compared to relating
3 to the Hawesville Smelter under the Century Hawesville Transaction
4 documents.
- 5 • Unlike the Century Hawesville Transaction, Century has advised Big Rivers
6 and Kenergy that Century does not contemplate the addition of capacitors or
7 related equipment at the smelter being served. As a result, no Capacitor
8 Agreement is included in the Century Sebree Transaction documents.
- 9 • The Delivery Point under the Electric Service Agreement and Arrangement
10 Agreement relating to the Century Sebree Transaction is the existing set of
11 meters at the Robert A. Reid substation located in Robards, Kentucky, as
12 compared to the meters at the substation of the Coleman Station under those
13 agreements relating to the Century Hawesville Transaction. This change is
14 based on the physical interconnection of the respective facilities.
- 15 • The Century Hawesville Transaction documents contain several provisions
16 addressing rights or obligations of the parties relating to the operation of one
17 or multiple, but not all, units of Coleman Station. *See, for example*, Sections
18 3.3(e)(ii) and 3.5 of the Direct Agreement, and Section 1.1.11(e) of the
19 Electric Service Agreement. These provisions are not needed or included in
20 the Century Sebree Transaction documents because Wilson Station is a single
21 unit generator, unlike Coleman Station.
- 22 • The Excess Reactive Demand Charge is based on 54,114 kilovars for the
23 Century Sebree Transaction, as compared to 74,005 kilovars for the Century
24 Hawesville Transaction. This is a negotiated difference from the 2009
25 agreements among the parties that has been carried over.
- 26 • Under Section 10.4 of the Electric Service Agreement relating to the Century
27 Hawesville Transaction, Century Hawesville agreed that Kenergy will modify
28 its tariff to reflect that Century Hawesville is not entitled to electric services
29 under that tariff. This provision is not included in the Electric Service

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1 Agreement relating to the Century Sebree Transaction because Kenergy has
2 confirmed that Century Sebree is not entitled to service under this tariff.

- 3 • The Service Period and Term under the Electric Service Agreement and
4 Arrangement Agreement relating to the Century Sebree Transaction is
5 different from the Service Period under those agreements relating to the
6 Century Hawesville Transaction. This is due to a difference in the time of
7 termination of the prior electric service arrangements among the parties for
8 service to Century's respective smelters.

- 9 • Under Section 4.5.9 of the Arrangement Agreement relating to the Century
10 Hawesville Transaction, Big Rivers is entitled to recover the cost of 0.25 of a
11 full-time-equivalent employee of Big Rivers to assist in administration of the
12 transaction. This provision is not included in the Arrangement Agreement
13 relating to the Century Sebree Transaction because Big Rivers' recovery of
14 this aspect of its costs relating to the Century Sebree Transaction is addressed
15 in the Direct Agreement.

- 16 • Under Section 3.7 of the Direct Agreement relating to the Century Hawesville
17 Transaction, Big Rivers has no obligation to supply any Electric Services from
18 its System Resources for the benefit of the Hawesville Smelter or any
19 Affiliates of Century Hawesville, except that Century Parent or an affiliate is
20 permitted to seek a contractual service arrangement with Big Rivers and
21 Kenergy relating to the Sebree Smelter. The analogous provision in the Direct
22 Agreement relating to the Century Sebree Transaction does not contain this
23 exception because the documents submitted to the Commission effectuate the
24 exception in the Century Hawesville agreements. Section 14.5 of the Electric
25 Service Agreement and Section 14.4 of the Arrangement Agreement relating
26 to the Century Hawesville Transaction also contain similar provisions,
27 including the exception, and those agreements relating to the Century Sebree
28 Transaction similarly do not contain that exception.

- 29 • Section 4.1(a)(iii) of the Direct Agreement relating to the Century Hawesville
30 Transaction addresses specific capital and labor costs relating to an outage of
31 Coleman Station in the circumstances specified in that section. That provision

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1 is not included in the Direct Agreement relating to the Century Sebree
2 Transaction, as no similar outage is planned for Wilson Station.

- 3 • Section 4.1(a)(iv) of the Direct Agreement relating to the Century Hawesville
4 Transaction addresses amounts that may be credited to Century Hawesville
5 after termination of the Initial SSR Agreement. That provision is not included
6 in the Direct Agreement relating to the Century Sebree Transaction because
7 the parties do not expect that an SSR Agreement will be required initially in
8 connection with this transaction.
- 9 • Disputes under each Electric Service Agreement, Direct Agreement,
10 Protective Relays Agreement, Tax Indemnity Agreement and Century Parent
11 Guarantee are in some cases subject to the arbitration provisions set forth in
12 those agreements. Those provisions in those agreements relating to the
13 Century Hawesville Transaction provide that the losing party must pay the
14 fees and costs of the prevailing party in any arbitration under those provisions.
15 The analogous provisions in the agreements relating to the Century Sebree
16 Transaction further provide that those fees and costs will be paid as allocated
17 by the arbitration tribunal, if all relief sought by a party to the arbitration is not
18 granted.
- 19 • Section 3.6 of each Tax Indemnity Agreement contains a representation and
20 warranty of each party to that agreement relating to knowledge of any action
21 or event that could reasonably be expected to lead to a Tax Claim by a
22 Governmental Authority. The analogous provision in the agreement relating
23 to the Century Sebree Transaction excludes both the Century Hawesville
24 Transaction and the Century Sebree Transaction. This provision of the
25 Century Hawesville agreement did not contain an exception for the Century
26 Sebree documents because, at the time the representation was made, the
27 Century Sebree transaction did not exist.
- 28 • The reason for entering into a Protective Relays Agreement in connection
29 with the Century Sebree Transaction is discussed in the portion of Mr. Berry's
30 testimony referenced above. Consistent with that reasoning, Section 2.3 of
31 that agreement provides that the obligations of the parties to that agreement

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1 relating to the Work or the Specifications shall not be effective prior to the
2 time Century Sebree determines to install the Protective Relays or otherwise
3 undertakes the Work.

4

5 **Witness)** Robert W. Berry

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1 **Item 6)** *Reference TE Berry at page 25, lines 3-6. Please provide details of all costs*
2 *incurred by Big Rivers related to the Century Sebree transaction to date and ongoing as these*
3 *costs are incurred.*

4

5 **Response)** Attached please find the Transaction Cost reports that list the costs related to the
6 Century Sebree Transaction to date. In accordance with the Reimbursement Agreement, Century
7 has reimbursed Big Rivers and Kenergy for all third-party costs associated with the Transaction
8 to date.

9

10 **Witness)** Robert W. Berry

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1

Initial Report

TRANSACTION COST DETAIL REPORT FOR THE MONTH ENDING September 30, 2013

<u>Entity Providing Service</u>	<u>Current Month's Actual Expenses</u>	<u>YTD Actual Expenses</u>	<u>Expected Expenses (Next 30 Days)</u>
Sullivan, MountJoy, Stainback & Miller		0.00	0.00
Orrick	0.00	0.00	0.00
MISO	0.00	0.00	0.00
Dorsey, King, Gray, Norment (Chris Hopgood)	0.00	0.00	0.00
Dinsmore Shohl	0.00	0.00	0.00
MISO Consultant (Kenergy)	0.00	0.00	0.00
Other	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
			0.00
			0.00
			0.00
			<u>0.00</u>
			<u>0.00</u>



Prior Month - Escrow Account Balance	0.00
Plus: Last Month's Deposit (Expected Expenses)	0.00
Less: Current Month's Actual Disbursements	0.00
Plus: Payment Required from Century to Escrow	0.00
Current Month - Escrow Balance Required	<u>0.00</u>

2 **Initial Deposit Required \$200,000**

3

BIG RIVERS ELECTRIC CORPORATION
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1

First Report

TRANSACTION COST DETAIL REPORT FOR THE MONTH ENDING SEPTEMBER 30, 2013
(CENTURY SEBREE)

<u>Entity Providing Service</u>	<u>ACTUAL EXPENSES</u>		<u>EXPECTED EXPENSES</u>		
	<u>August 2013 & September 2013</u>	<u>2013 Year-To-Date</u>	<u>October 2013</u>	<u>October 15 to November 15</u>	<u>Total Escrow Balance Required</u>
Sullivan, MountJoy, Stainback & Miller	2,068.00	2,068.00	25,000.00	12,500.00	37,500.00
Orrick	31,606.45	31,606.45	125,000.00	62,500.00	187,500.00
MISO	-	-	-	-	-
Dorsey, King, Gray, Norment (Chris Hopgood)	423.00	423.00	3,000.00	1,500.00	4,500.00
Dinsmore Shohl	-	-	3,000.00	1,500.00	4,500.00
MISO Consultant (Kenergy)	-	-	-	-	-
Catalyst Consulting LLC	-	-	-	-	-
Kenergy (Travel and Expenses)	-	-	-	-	-
Big Rivers (Travel and Expenses)	-	-	-	-	-
	<u>34,097.45</u>	<u>34,097.45</u>	<u>156,000.00</u>	<u>78,000.00</u>	<u>234,000.00</u>

Project to Date Escrow Deposits	200,000.00
Add: Escrow Account Interest Earned	-
Less: Project to Date Actual Reimbursements	-
Prior Month Remaining Balance	200,000.00
Less: Current Month Actual Reimbursements	(34,097.45)
Plus: Payment Required from Century to Escrow	<u>68,097.45</u>
Current Escrow Balance Required	<u>234,000.00</u>

2

3

BIG RIVERS ELECTRIC CORPORATION
JOINT APPLICATION OF KENERGY CORP. AND
BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL OF CONTRACTS AND FOR A DECLARATORY ORDER
CASE NO. 2013-00413

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Second Report
TRANSACTION COST DETAIL REPORT FOR THE MONTH ENDING OCTOBER 31, 2013
(CENTURY SEBREE)

<u>Entity Providing Service</u>	<u>ACTUAL EXPENSES</u>		<u>EXPECTED EXPENSES</u>		
	<u>October 2013</u>	<u>2013 Year-To-Date</u>	<u>November 2013</u>	<u>November 15 to December 15</u>	<u>Total Escrow Balance Required</u>
Sullivan, MountJoy, Stainback & Miller	7,590.00	9,658.00	10,000.00	5,000.00	15,000.00
Orrick	34,760.95	66,367.40	125,000.00	65,000.00	190,000.00
MISO	-	-	-	-	-
Dorsey, King, Gray, Norment (Chris Hopgood)	2,287.50	2,710.50	2,500.00	1,200.00	3,700.00
Dinsmore Shohl	390.00	390.00	25,000.00	12,500.00	37,500.00
MISO Consultant (Kenergy)	-	-	-	-	-
Catalyst Consulting LLC	-	-	-	-	-
Kenergy (Travel and Expenses)	-	-	-	5,000.00	5,000.00
Big Rivers (Travel and Expenses)	-	-	-	5,000.00	5,000.00
	<u>45,028.45</u>	<u>79,125.90</u>	<u>162,500.00</u>	<u>93,700.00</u>	<u>256,200.00</u>

Project to Date Escrow Deposits	268,097.45
Add: Escrow Account Interest Earned	0.38
Less: Project to Date Actual Reimbursements	<u>(34,097.45)</u>
Prior Month Remaining Balance	234,000.38
Less: Current Month Actual Reimbursements	<u>(45,028.45)</u>
Plus: Payment Required from Century to Escrow	<u>67,228.07</u>
Current Escrow Balance Required	<u>256,200.00</u>

2

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- 1 Item 7) *Reference TE Berry at page 41, lines 14-16. Please provide information related*
2 *to the following:*
- 3 *a. Please provide the details regarding Big Rivers' estimate that transmission*
4 *revenue attributable to Century Sebree will be approximately \$5.7 million*
5 *a year, including any analysis conducted and related workpapers.*
- 6 *b. If Century were to buy transmission service directly from MISO, please*
7 *describe the amount of transmission revenue that Century would pay*
8 *compared to the amount they will pay under the Direct Agreement using*
9 *estimates.*
- 10 *c. In addition to the testimony referenced above, reference Section 4.1 of the*
11 *Direct Agreement at Exhibit 9 of the Application. Please explain how*
12 *"Reliability Costs...would be substantially similar to an SSR agreement"*
13 *and how they would be different than an SSR agreement, such as the one*
14 *contemplated by the Century Hawesville transaction?*
- 15 *d. Please describe in detail, with explicit mathematical expressions, exactly*
16 *how, if there is ever a SSR agreement, that Reliability Costs assigned to*
17 *Century Sebree would be offset by transmission revenue attributable to*
18 *Century Sebree.*

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1 e. *With respect to the testimony referenced above and Section 4.1 of the*
2 *Direct Agreement, please explain whether the approach reflected in*
3 *paragraph 4.1 is more or less beneficial to Big Rivers' customers. Please*
4 *provide specific quantification of the benefits, including relevant*
5 *workpapers.*

6
7 **Response)**

- 8 a. Per Big Rivers Attachment O MISO filing, Big Rivers' estimate of its network
9 transmission revenues which will be paid by Century Sebree are calculated as:
10 \$ 15,586.7989 X 368 = \$5,735,942
- 11 b. Century will be purchasing transmission service indirectly from MISO at
12 pass-through rates, and Big Rivers will be credited the amount paid by
13 Century against other amounts owing to Kenergy or Big Rivers under the
14 transaction documents. As such, there is no price difference.
- 15 c. It is not currently believed that an SSR agreement will be required as a result
16 of the Century Sebree transaction; however, Big Rivers has included
17 protection for its Members to ensure if an SSR agreement is required in the
18 future as a result of the Century Sebree load, Century Sebree will cover those

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1 costs. Likewise, it is possible that in order to ensure reliability MISO could
2 instruct Big Rivers to take other measures, and this clause was included to
3 protect Big Rivers' Members from any reliability costs that are attributable to
4 the Century Sebree load.

5 d. If an SSR agreement is ever required, then the network transmission revenues
6 calculated in part a. above, would offset the SSR costs attributable to Century
7 Sebree, up to, but not to exceed, the total SSR costs.

8 e. Big Rivers objects that this request is unduly vague and ambiguous.

9 Notwithstanding this objection, and without waiving it, Big Rivers states that
10 the language in section 4.1 of the Direct Agreement is beneficial because the
11 use of the broad term "Reliability Cost" protects Big Rivers and its Members
12 from any potentially unforeseen operational changes at any of its generating
13 facilities that could be required as a result of the continued operation of the
14 Century Sebree smelter. Please also see the response to AG 1-1.

15

16 **Witness)** Robert W. Berry

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1 **Item 8)** *If the Application and agreement(s) are approved and the agreements finalized,*
2 *does Big Rivers plan to seek or otherwise implement downward rate adjustments to reflect any*
3 *and all additional revenue resulting from the agreement(s)?*

4 *a. If yes, please explain how and when Big Rivers will do so.*

5 *b. If no, please confirm that Big Rivers will recover revenue relating to*
6 *servicing Century Sebree via both the agreements and from its non-smelter*
7 *rate classes. Please explain the company's answer.*

8
9 **Response)** Please see Big Rivers' response to PSC 1-3.

10 a. The only net revenue Big Rivers anticipates receiving under the Century
11 Sebree transaction is transmission revenue. Please see Big Rivers' response to
12 PSC 1-3.

13 b. Not applicable.

14

15 **Witness)** Robert W. Berry

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1 **Item 9)** *If the Application and agreement(s) are approved and the agreements finalized,*
2 *is there anything in the agreements to preclude Century Sebree from returning to Big Rivers*
3 *system for the delivery of wholesale power supply?*

4
5 **Response)** Yes. Under Section 14.4 of the Arrangement Agreement, Section 14.5 of the
6 Electric Service Agreement and Section 3.7 of the Direct Agreement, each of Kenergy and
7 Century Sebree, respectively, acknowledge and agree that “Big Rivers has no obligation to serve
8 or supply any Electric Services from System Resources for the benefit of all or a portion of the
9 Century Sebree Smelter or any Affiliates, spin-offs or successors of Century during the Service
10 Period or thereafter other than as provided in this Agreement for the purchase of Electric
11 Services in the Day Ahead Market or the Real Time Market or from a Bilateral Counterparty.”
12 System Resources are defined in those agreements to include all of Big Rivers’ owned or leased
13 generating facilities and any power supply contract not entered into specifically to serve Century
14 at the Sebree Smelter.

15 Century is not precluded from requesting transmission services per Section 3.10 of the
16 Direct Agreement.

17

18 **Witness)** Robert W. Berry